

# **DEBT SERVICE FUND**



## **FY13 PROPOSED BUDGET**

**DEBT MANAGEMENT**

The purpose of the Shelby County debt management policy is to manage the issuance of the County's debt obligations and to maintain the County's ability to incur debt and other long-term obligations at favorable interest rates. Debt is issued primarily for school construction and major improvements. Debt may also be issued for County capital improvements, facilities and equipment with a cost in excess of \$100,000.

The issuance of debt for capital needs provides an investment in our community and makes these capital expenditures affordable to current users and allows capital cost to be more equitably distributed to both current and future users.

**CAPITAL PLANNING**

A five-year Capital Improvement Plan is developed and updated annually, including anticipated funding sources. During the annual budgeting process, the current years' proposed capital improvement projects are reviewed and prioritized to ensure consistency with the County's goals and objectives.

**CAPITAL FINANCING**

Capital financing typically includes two types of funding: Pay-As-You-Go and debt financing.

1. Pay-As-You-Go financing is an integral part of the overall capital financing plan. Pay-As-You-Go financing is defined as all sources of funding other than debt issuance, i.e. fund balance, contributions, investment earnings and grants.  
Pay-As-You-Go funding, to the extent available, will be used for:
  - Projects that do not constitute assets of the County;
  - Smaller projects;
  - Projects that have a shorter useful life;
  - Other non-school projects.
2. Debt Financing is generally obtained through a short term borrowing program or the issuance of long term general obligation debt. A short term borrowing program may be established each fiscal year to cover the estimated amount of current year payments for projects authorized in that year as well as the payments expected from projects appropriated in previous fiscal years and continuing into the current year. When short term borrowing is used, it is converted to long term general obligation debt within two years after the initial sale.

**DEBT LIMIT**

The County conducts its finances so that the amount of general obligation debt does not exceed 12% of the County's taxable assessed valuation or 5% of the appraised valuation. On a per capita basis, debt should be maintained at a level below 6% of the personal income of County residents. Debt may generally be issued without regard to any limit on indebtedness. Decisions regarding the use of debt will be based in part on the long-term needs of the County versus the amount of funds dedicated in a given year to capital outlay on a "Pay-As-You-Go" basis. The County also includes "Pay-As-You-Go" funding in the Operating Budget for smaller asset acquisitions and improvements each year rather than in the Capital Improvement Budget with funding from tax dollars. These capital expenditures are detailed in the CIP section of this book. Comparisons of actual performance versus standards established by the current County Debt Management Policy are shown on the following page.

# Debt Service Fund Overview

# FY13 Proposed Budget

## BONDED DEBT RATIO ANALYSIS

(in 000's)

		<u>2009</u>	<u>2010</u>	<u>2011</u>	Estimated <u>2012</u>
Appraised Property Valuation		\$61,383,315	\$66,374,655	\$65,216,501	\$64,183,575
Assessed Valuation		18,089,304	19,657,379	19,312,088	18,942,065
Total General Fund Revenue		357,946	358,638	368,186	359,005
Total General Obligation Debt		1,706,905	1,661,630	1,615,108	1,455,753
<u>Debt Ratio Targets</u>					
	<u>Goal</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt to Appraised Valuation %	< 5%	2.78%	2.50%	2.48%	2.27%
Debt to Assessed Property Valuation %	< 12%	9.44%	8.45%	8.36%	7.69%
Debt Per Capita	< \$2,000	1,772	1,856	1,796	1,612
Debt to Per Capita Personal Income %	< 6%	4.26%	4.58%	4.47%	4.00%
Principal Debt % Retired in 10 Years	> 50%	55.90%	56.70%	59.38%	58.43%
Debt Service as % of Non-Capital Expenditures	< 20%	16.67%	16.62%	17.08%	17.17%
<u>Fund Balance Targets:</u>					
General Fund:	15 - 25%	20.78%	21.11%	23.26%	23.78%
Unassigned as % of annual revenue (preferred balance > 20%)					
Debt Service Fund:	20 - 30%	40.71%	48.28%	53.17%	46.75%
Committed as % of annual revenue (preferred balance > 25%)					

**Debt Service Fund Overview**
**FY13 Proposed Budget**
**Combined General Obligation Bonds  
As of June 30, 2012**

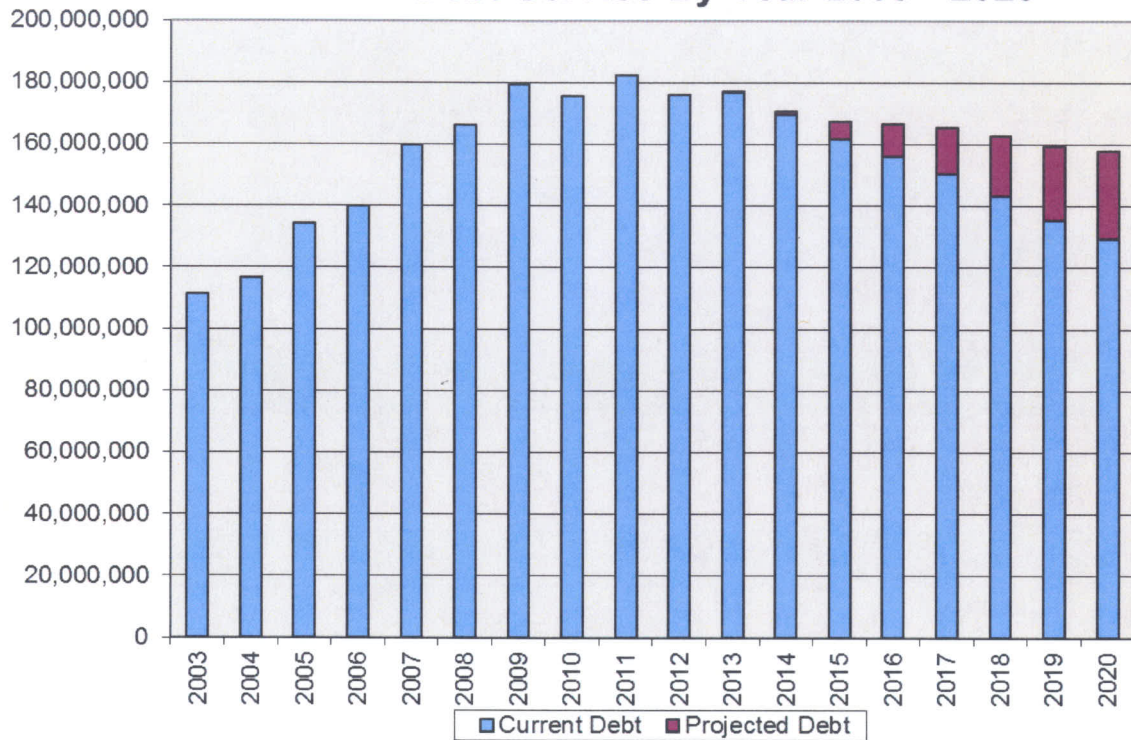
<b>FY Ended June</b>	<b>Bonds Payable</b>	<b>Interest Payable</b>	<b>Fiscal Total</b>
2013	\$ 88,600,725	\$ 84,363,510	\$ 172,964,235
2014	97,961,437	67,361,681	165,323,118
2015	93,691,014	63,778,052	157,469,066
2016	95,314,440	56,630,314	151,944,754
2017	88,029,080	58,033,816	146,062,896
2018	92,191,321	46,788,158	138,979,479
2019	88,281,321	42,801,369	131,082,690
2020	86,086,321	38,998,598	125,084,919
2021	83,623,821	35,266,393	118,890,214
2022	80,496,321	31,710,734	112,207,055
2023	79,151,321	28,396,515	107,547,836
2024	76,786,321	24,939,454	101,725,775
2025	76,256,321	21,326,971	97,583,292
2026	67,112,506	18,281,798	85,394,304
2027	60,358,458	14,793,990	75,152,448
2028	45,090,000	9,128,963	54,218,963
2029	45,427,500	6,937,812	52,365,312
2030	41,200,000	4,916,790	46,116,790
2031	34,865,000	3,021,273	37,886,273
2032	16,227,500	1,644,129	17,871,629
2033	8,017,500	1,046,825	9,064,325
2034	8,367,500	594,500	8,962,000
2035	1,277,500	122,500	1,400,000
2036	1,340,000	58,625	1,398,625
<b>Total</b>	<b>\$ 1,455,753,228</b>	<b>\$ 660,942,770</b>	<b>\$ 2,116,695,998</b>

**Current Year Requirement:**

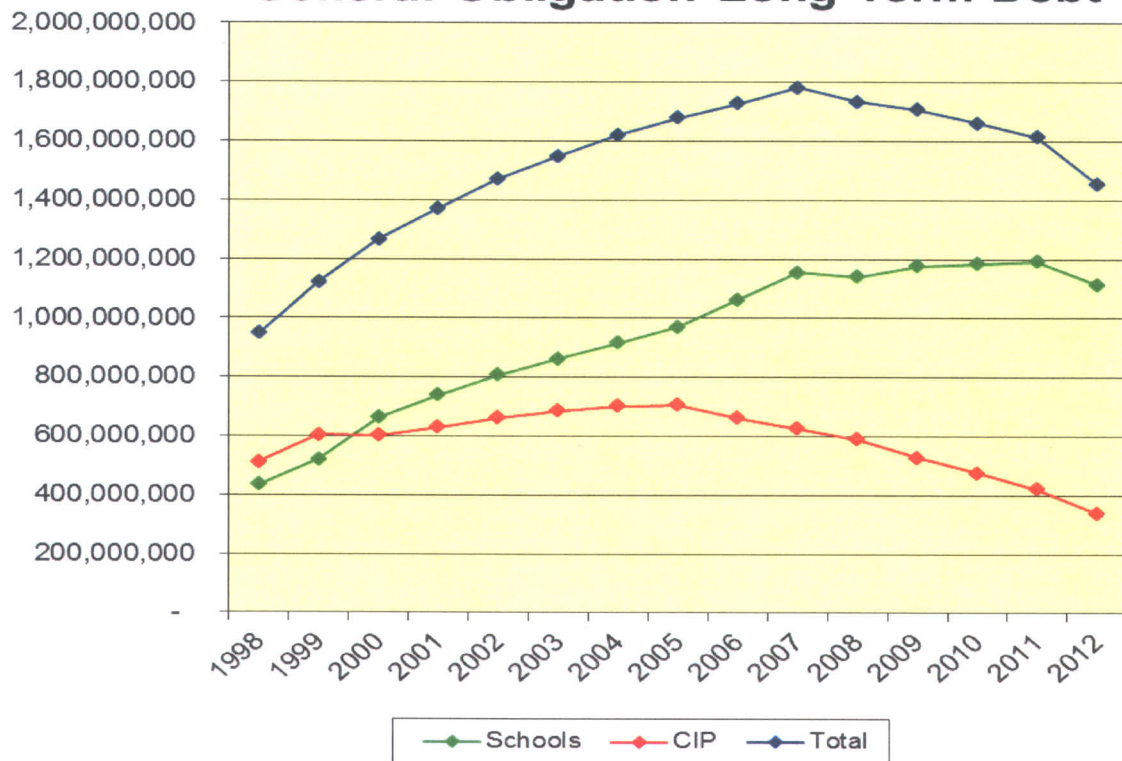
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Fiscal Total</b>
Outstanding Debt	88,600,725	84,363,510	172,964,235
Projected Debt	268,654	320,000	588,654
Interest Swap & Issue Cost	-	3,647,000	3,647,000
<b>Total</b>	<b>\$ 88,869,379</b>	<b>\$ 88,330,510</b>	<b>\$ 177,199,889</b>



## Debt Service By Year 2003 - 2020



## General Obligation Long Term Debt



## Prime Accounts Summary

## Debt Service Fund

Acct	Description	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Amended	FY13 Proposed
40 - Property Taxes		(141,041,096)	(151,142,924)	(147,047,410)	(135,278,000)	(136,138,000)
41 - Other Local Taxes		(29,248,213)	(38,573,503)	(35,372,935)	(20,140,000)	(24,585,000)
43 - Intergovernmental Revenues-State of T		(254,226)	0	0	0	0
44 - Intergovernmental Revenues-Federal &		(1,140,714)	(1,991,043)	(3,538,587)	(4,456,439)	(1,304,602)
45 - Charges for Services		(204,000)	(204,000)	(136,000)	(204,000)	(204,000)
46 - Fines, Fees & Permits		(1,045,149)	0	0	0	0
47 - Other Revenue		(934,752)	(4,490,261)	(812,339)	(729,666)	(629,667)
48 - Investment Income		(1,375,710)	(467,058)	(467,758)	(1,000,000)	(450,000)
<b>Revenue</b>		<b>(175,243,860)</b>	<b>(196,868,789)</b>	<b>(187,375,028)</b>	<b>(161,808,105)</b>	<b>(163,311,269)</b>
64 - Services & Other Expenses		311,161	340,400	310,500	400,000	400,000
66 - Professional & Contracted Services		29,260	25,096	117,238	140,295	283,279
Operating & Maintenance		340,421	365,496	427,738	540,295	683,279
80 - Debt Service Expenditure		179,405,521	171,703,160	183,123,753	185,770,085	177,199,889
Debt Services		179,405,521	171,703,160	183,123,753	185,770,085	177,199,889
94 - Other Sources & Uses		(3,511,655)	0	(917,922)	(6,874,478)	0
Other Financing Sources		(3,511,655)	0	(917,922)	(6,874,478)	0
<b>Expenditures</b>		<b>176,234,287</b>	<b>172,068,656</b>	<b>182,633,569</b>	<b>179,435,902</b>	<b>177,883,168</b>
99 - Planned Use of Fund Balances		0	0	0	(17,093,895)	(15,989,919)
Planned Fund Balance Change		0	0	0	(17,093,895)	(15,989,919)
<b>Planned Fund Balance Change</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,093,895)</b>	<b>(15,989,919)</b>
96 - Operating Transfers In		(8,404,218)	(9,646,179)	(7,460,264)	(7,449,902)	(5,381,980)
Operating Transfers In		(8,404,218)	(9,646,179)	(7,460,264)	(7,449,902)	(5,381,980)
98 - Operating Transfers Out		6,476,000	6,564,000	6,916,000	6,916,000	6,800,000
Operating Transfers Out		6,476,000	6,564,000	6,916,000	6,916,000	6,800,000
<b>Net Transfers</b>		<b>(1,928,218)</b>	<b>(3,082,179)</b>	<b>(544,264)</b>	<b>(533,902)</b>	<b>1,418,020</b>
<b>SUMMARY TOTAL</b>		<b>(937,791)</b>	<b>(27,882,312)</b>	<b>(5,285,724)</b>	<b>0</b>	<b>0</b>